

RECEIVED
RECEIVED BY AUTH.
Condo Villas of Gatlinburg Association, Inc.

P.O. Box 613
Gatlinburg, Tennessee 37738

'00 JAN 24 AM 11 26

December 21, 1999

Mr. Paul Allen, Executive Director
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

00-00046

PAID T.R.A.	
Chk #	6536
Amount	25.00
Rcvd By	JH.
Date	1-24-2000

Re: Petition for authority to acquire certain Assets of Foothill Properties, Inc.

Dear Mr. Allen:

Enclosed herewith for filing with authority, please find an original and thirteen (13) copies of Condo Villas of Gatlinburg Association, Inc.'s Petition for Authority to acquire certain Assets of Foothill Properties, Inc.

Also enclosed is a duplicate of this letter attached to a copy of the petition. Please stamp the duplicate and return same in the self-addressed stamped envelope.

Please contact the undersigned should you have any questions or concerns.

Very Truly Yours,

Earl Baird

Earl Baird, Manager/Agent

FILE

Before The Regulatory of The State of Tennessee

Petition for Authority)
to Acquire Certain Assets of)
Foothills Properties, Inc.)

Docket No:

00-00046

REC'D TH
REGISTRY AUTH.

00 JAN 24 AM 11 26

EXECUTIVE SECRETARY

**Joint Petition for Approval to Acquire Assets and Approve a Certificate
of Convenience and Necessity and Request for Expedited Approval**

Now comes Condo Villas of Gatlinburg Association, Inc. (CVA) and Foothills Property, Inc. (Foothills) by and through their Attorney/Agent Don Withers/Earl Baird, pursuant to The Rules and Regulations of The Tennessee Regulatory Authority (Authority), and hereby jointly request that the Authority approve the acquisition by CVA of certain Assets of Foothills and to grant such relief on an expedited basis to allow for the consummation of the transaction without delay. For the reasons set forth below, the parties request the Authority to grant such approval immediately. CVA and Foothills provide the following in support of this request:

1. The Parties

A. Condo Villas of Gatlinburg Association, Inc.

CVA is a corporation organized under the laws of The State of Tennessee with principal office located at Gatlinburg, Tennessee. CVA holds authorization by its' organization under the law of The State of Tennessee, to provide service(s) within The State of Tennessee. A copy of CVA's applicable Charter and Declaration of Covenants, conditions, and Restrictions is on file with the Authority.

The principle office of CVA is located at:

Condo Villas of Gatlinburg Association, Inc.
814 E. Foothills Drive
Gatlinburg, Tennessee 37738

Please direct any questions concerning CVA and this application to:

Earl Baird
Condo Villas of Gatlinburg Association, Inc.
P.O. Box 613
Gatlinburg, Tennessee 37738
(423) 436-5092
(423) 436-4017 (facsimile)

B. Foothills Property, Inc.

Foothills is a corporation organized under the laws of The State of Tennessee whose principle office is located Pigeon Forge, Tennessee. Foothills is authorized under Docket No. 90-02584 Section 65-4-204 to operate with certificates of convenience and necessity, to provide a water distribution system, within Condo Villas, of Sevier County, Tennessee. A copy of Foothills applicable charter is on file with Authority.

The principle office of Foothills is located at:

Foothills Property, Inc.
320 Wears Valley Road
Pigeon Forge, Tennessee 37862
(423) 429-4121
(423) 429-7090

FILE

II. The Transaction

Pursuant to an Asset Purchase Agreement executed December 18, 1999, Foothills has agreed to sell to CVA, and CVA has agreed to purchase (a) the right to provide certain Foothills water customers (hereinafter "Foothills Customers") with water services; (b) the right to receive payments from Foothills Customers; (c) the right to receive accounts receivable for such Foothills Customers; (d) the rights of physical properties of Foothills (i.e. pumps, water tower, out buildings, inventory); (e) the rights to Right of Ways of Foothills Customers. A copy of the purchase agreement and assets is attached hereto as Exhibit A.

III. Public Interest Considerations

The transfer contemplated by The Asset Purchase Agreement will serve the public interest by enabling the CVA to operate the water distribution system, eliminating the possible sale of said system to another source, thereby, placing an economical strain on the CVA. It also will allow the CVA more effectively to determine user costs by actual usage rates, allowing the user increased economics, rather than a flat rate of cost, shared by all.

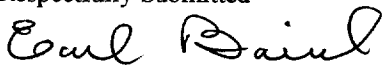
The transfer of the Foothills Customer base, will also benefit Foothills Customers directly. The acquisition of the Foothills customer base by CVA will enable these subscribers to continue to receive quality water and service at affordable rates without interruption.

Thus, the public will benefit both directly, through the availability of, and access to, their own operation of services, and indirectly, because there is no presence of an active competitor in the market, who will provide these services to the required location. Upon approval of this transaction, CVA will provide notice to Foothills Customers, and assure them of CVA's commitment to continue the service provisions of quality and affordable rates. As such, the transaction will not cause inconvenience or confusion to CVA or to Foothills Customers. Indeed, the transaction will be transparent to CVA and Foothills Customers in terms of services that they receive. A copy of the sample notice of transfer appears as Exhibit B attached hereto.

CVA certifies that it continues to have the necessary managerial and financial resources to provide the public with quality water service in Condo Villas. After the consummation of the transaction, CVA will continue to be led by well-qualified managers comprised of its existing personnel. CVA expects that the ample managerial, technical, and financial expertise of this managerial team will enable CVA to continue providing quality service to its existing customers and those of Foothills, as well as the potential of CVA's expanding customer base.

Wherefore, CVA and Foothills respectively request that the Authority authorize the Sale of Assets from Foothills to CVA. In addition, the parties respectively request expedited processing of this joint Petition so that the transaction may proceed without undue delay.

Respectfully Submitted



Earl Baird, Manager/Agent
Condo Villas of Gatlinburg Association, Inc.
and Foothills Properties, Inc.

VERIFICATION

Comes now, Brent Morrison and says that he is the President of Condo Villas of Gatlinburg Association, Inc, that he has read the foregoing Joint Petition for approval of Condo Villas of Gatlinburg, Inc. to acquire assets of Foothills Properties Inc. and knows that the same is true to his best knowledge and belief.

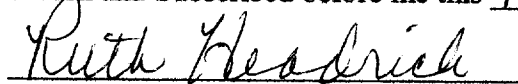


Brent Morrison

President

Condo Villas of Gatlinburg Association Inc.

Sworn and Subscribed before me this 11th day of January, 2000.

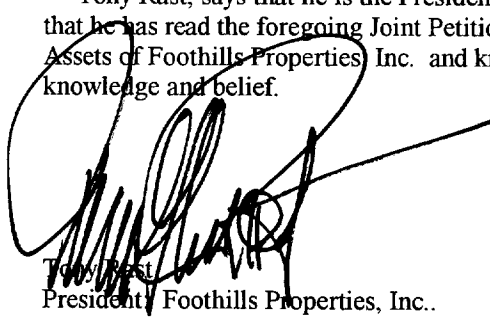


Notary Public

My Commission Expires: 2-15-00

Verification

Tony Rast, says that he is the President and Sole Shareholder of Foothills Properties, Inc. and that he has read the foregoing Joint Petition for approval of Condo Villas of Gatlinburg, Inc. to acquire Assets of Foothills Properties Inc. and knows the contents thereof; and that the same is true to his knowledge and belief.



Tony Rast
President, Foothills Properties, Inc..

Subscribed and sworn to before me this 17th day of JANUARY, 2000 ~~December, 1999.~~



Notary Public

My Commission Expires: 11/18/03

Attachments

Exhibit "A" (Document No. 90-02584)

(Items) 1-2-3

Notice of Hearing

Amended Notice of Hearing

Order and Initial Order

Exhibit "B"

Agreement

EXHIBIT 11
ITEM 1

TENNESSEE PUBLIC SERVICE COMMISSION

460 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243-0505

STEVE HEWLETT, CHAIRMAN
FRANK COCHRAN, COMMISSIONER
KEITH BISSELL, COMMISSIONER

PAUL ALLEN, EXECUTIVE DIRECTOR
HENRY M. WALKER, GENERAL COUNSEL



NOTICE OF HEARING

DOCKET: 90-02584

PETITIONER: Foothills Properties, Inc.

PETITIONER'S ATTORNEY:

IN RE PETITION OF FOOTHILLS PROPERTIES, INC. FOR A CERTIFICATE OF
CONVENIENCE AND NECESSITY TO OPERATE A WATER DISTRIBUTION
SYSTEM IN CONDO VILLAS OF GATLINBURG, SEVIER COUNTY,
TENNESSEE

DATE: September 23, 1991

Pursuant to T.C.A. 4-5-201 the Commission has scheduled a hearing in
the above captioned proceeding for Thursday, November 14, 1991 at 1:00
P.M. in the Commission Hearing Room, 460 James Robertson Parkway,
Nashville, Tennessee.

The hearing will be conducted in accordance with the Tennessee
Uniform Administrative Procedures Act, T.C.A. 4-5-201 et seq. All
parties are entitled to be represented by counsel.

Any motion to change the date of this hearing must be made in
writing, filed with the office of the Executive Director of the
Commission, and directed either to the presiding Administrative Judge
or the Chairman of the Commission. Copies of the motion must be
served on all parties.

FOR THE TENNESSEE PUBLIC SERVICE COMMISSION:

Paul Allen, Executive Director

cc: Interested Parties

PAMt

Exhibit "A"
Item 3

TENNESSEE PUBLIC SERVICE COMMISSION
460 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243-0505

STEVE HEWLETT, CHAIRMAN
FRANK COCHRAN, COMMISSIONER
KEITH BISSELL, COMMISSIONER



PAUL ALLEN, EXECUTIVE DIRECTOR
HENRY M. WALKER, GENERAL COUNSEL

TRANSMITTAL LETTER

I HAVE ATTACHED A COPY OF A RECENT COMMISSION
ORDER WHICH IS BEING SENT TO PARTIES OF RECORD
AND/OR OTHER INTERESTED PARTIES.


PAUL ALLEN
EXECUTIVE DIRECTOR

BEFORE THE TENNESSEE PUBLIC SERVICE COMMISSION
Nashville, Tennessee
February 28, 1992

IN RE: PETITION OF FOOTHILLS PROPERTIES, INC. FOR A CERTIFICATE
OF CONVENIENCE AND NECESSITY TO OPERATE A WATER
DISTRIBUTION SYSTEM IN CONDO VILLAS OF GATLINBURG, SEVIER
COUNTY, TENNESSEE

DOCKET NO. 90-02584

ORDER

This matter is before the Tennessee Public Service Commission upon the application of Foothills Properties, Inc. (Foothills or applicant) for a certificate of convenience and necessity to operate a water distribution system as set forth in the above caption.

This matter was set for hearing and heard on November 14, 1991, in Nashville, Tennessee, before Mack H. Cherry, Administrative Judge. The only issue in this case is the tap fee. On January 6, 1992, the Administrative Judge issued his Initial Order recommending that the application be granted with a tap fee of ~~\$750.00~~. On January 13, the Commission Staff filed exceptions to the Initial Order expressing its objection to the \$750.00 tap fee because of insufficient evidence in the record to support it. The Staff recommended that instead of a tap fee, the customers pay the actual cost of tapping on to the utility system to a qualified contractor of their choosing.

On January 14, 1992, Foothills Properties, Inc. filed exceptions to the Judge's Initial Order requesting both the \$750.00 tap fee and the cost of installing the tap.

The Commission considered this matter at the Commission Conference held on January 21, 1992. The Commission finds that many of the lots in this development are hillside property, therefore the installation costs may vary significantly. The Commission concludes after consideration of the record, including the Administrative Judge's Initial Order and the exceptions of the parties, that ~~both the \$750.00 tap fee and the customer-paid installation costs~~ are reasonable and should be approved. Customers shall pay a qualified contractor of their choice to tap onto the system, subject to the supervision of Foothills Properties, Inc. The Administrative Judge's opinion is hereby modified to the extent that it is in conflict with our findings and conclusions here.

Judge Cherry recommended that the tap fee be placed in a separate account which is specifically dedicated for capital improvements. The Staff recommended further clarification of the accounting treatment of this separate account. We adopt the following clarification:

When a tap fee is received from the customer it should be recorded in "account number 252 - advances for construction." As the money is spent on the specifically designated capital improvements, it should be transferred to "account number 271- contributions in aid of construction."

IT IS THEREFORE ORDERED:

1. That the Administrative Judge's Initial Order dated January 6, 1992, in this docket is hereby modified as set forth herein with respect to installation costs to be paid by customers tapping on to Foothills Properties, Inc.;

2. That a certificate of convenience and necessity is hereby issued to Foothills Properties, Inc. to operate a water distribution system in Condo Villas of Gatlinburg, Sevier County, Tennessee.

3. That the following rates are hereby approved as just and reasonable:

~~monthly service charge \$35.00~~

~~disconnect and reconnect charge \$35.00~~

~~disconnect and right of way without prior approval \$180.00~~

~~tap fee \$750.00 + cost of installation~~

4. That Foothills Properties, Inc. shall file tariffs consistent with this order;

5. That the tap fee revenue shall be maintained in a separate account as specified in this order and used only to pay the costs of capital improvements which have the effect of expanding water system capacity;

6. That any party aggrieved with the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within ten (10) days from and after the date of this Order.

7. That any party aggrieved with the Commission's decision in this matter has the right of judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within thirty (30) days from and after the date of this Order.


CHAIRMAN

ATTEST


EXECUTIVE DIRECTOR

COMMISSIONER


COMMISSIONER

BEFORE THE TENNESSEE PUBLIC SERVICE COMMISSION
Nashville, Tennessee
January 6, 1992

IN RE: PETITION OF FOOTHILLS PROPERTIES, INC. FOR A
CERTIFICATE OF CONVENIENCE AND NECESSITY TO
OPERATE A WATER DISTRIBUTION SYSTEM IN CONDO
VILLAS OF GATLINBURG, SEVIER COUNTY, TENNESSEE

DOCKET NO. 90-02584

INITIAL ORDER

This matter is before the Tennessee Public Service Commission upon the application of Foothills Properties, Inc. (Foothills or Applicant), for a certificate of public convenience and necessity to provide a water distribution system as set forth in the above caption.

This matter was set for hearing and heard on November 14, 1991 in Nashville, Tennessee before Administrative Judge Mack H. Cherry at which time the following appearances were entered:

APPEARANCES:

TONY GLENN RAST, 201 Parkway, Gatlinburg, Tennessee 37738 appearing on behalf of the petitioner, Foothills Properties, Inc., pro se.

D. BILLYE SANDERS, Assistant General Counsel, Tennessee Public Service Commission, 460 James Robertson Parkway, Nashville, Tennessee 37243-0505, appearing on behalf of the Commission Staff.

A late filed exhibit was filed by Foothills on November 21. The Staff responded with a memorandum on December 17. Foothills responded to the memorandum on December 30.

Certificates of public convenience and necessity are granted pursuant to T.C.A. Section 65-4-204. Should a certificate be granted, rates approved must be just and

reasonable and conform to the requirements of T.C.A. Section 65-5-201 et seq.

THE APPLICANT

Foothills Properties, Inc. owns a residential development known as Condo Villas of Gatlinburg which is located just beyond the Gatlinburg City Limit. Foothills will be referred to herein as the water utility. Currently, 72 customers in the development are served. Five customers outside of the development receive water from Foothills. The development began about five years ago. While 100 units are planned, Tommy Glenn Rast, Foothills President, said any number of units could conceivably be added.

Foothills obtains all of its water from the City of Gatlinburg. Foothills provides the pumps and other equipment which go with the distribution system. The system construction was monitored by the City of Gatlinburg and the Tennessee Department of Health and Environment. Mr. Rast was not informed that he would need to obtain a certificate of public convenience and necessity from either of these agencies. When shown that authority from this Commission was required, Foothills applied for authority.

Few condominium owners are permanent residents at the development. These are second homes. Almost all of the condominium owners use the property as an investment. Foothills rents their property to others who vacation in the Gatlinburg area on a daily or weekly basis.

PROPOSED RATES

A monthly usage fee of \$35 per customer is sought.

A disconnection and reconnection fee of \$35 is sought except where the owner does not grant permission to disconnect the water in which case the owner would be assessed a \$180 charge for disconnection at the street.

The Staff has no objections to either the monthly fee or the disconnect and reconnect charges. Financial Analyst Brent L. Bustin made an analysis of company financial data.

He used the calender year 1990 as his test year. He concluded that the rates proposed would yield a 6% rate of return which he deemed not excessive. See Exhibit 1.

Foothills originally sought a tap fee of \$1500. According to the late filed exhibit, it now seeks a tap fee of \$1000. The Staff objects to any tap fee whatsoever. The Staff maintained that Foothills can allow the customer to make his own arrangements with a contractor to accomplish the tap on to the main water line.

TAP FEE

The only issue in dispute is a tap fee. This is likely a "tempest in a teapot" to use the proverbial expression. Mr. Rast anticipates Gatlinburg annexation within the next two to five years. When Gatlinburg annexes the area, it will take over the water service. Furthermore, it appears expansion is unlikely since the State has informed Mr. Rast that it will only permit him to build three units on eight acre sites because allowances must be made for septic tanks. This requirement makes further development an unattractive proposition. Sewer service would be provided upon annexation by Gatlinburg. At some future time, Foothills could also link up with the city sewage system as it has made connections with the water system. However, the prospects for short term development appears to be extremely limited. It is foreseeable that no further taps will be needed prior to a city annexation.

As Mr. Rast sees the issue, those who come to the system later should contribute to the cost of providing the total system which has been in excess of \$200,000. The Staff maintains that tap fees are justifiable only to the extent they provide for expansion of the system. Other capital expenditures should be paid from monthly fees. Mr. Rast provided a list of planned capital expenditures totaling about \$16,000. The Staff maintains that none of these expenditures actually add to water system capacity.

The Staff also maintains that the current system appears adequate for further development without additions.

As a matter of principle, the Staff is correct. If tap fees go to pay the cost of routine expenses or capital improvements, the money may not be available to finance expansion. As a public utility, it is anticipated that Foothills will provide service to all who request service within the service area. The tap fee serves as the means of expanding the utility should expansion prove necessary to serve new customers.

However, the list of capital expenditures did include a water pump which would cost about \$3,000. It would seem that the addition of a pump will add to system capacity. It would also seem that some tap fee would be essential to provide for the connection to the main line from each additional residential unit. The addition of service lines from the main to the dwelling units would be a capital expansion of the system which the existing customers should not have to bear. It would seem inconvenient and impractical to expect the new residents to make arrangements and find a plumber or contractor acceptable to the utility.

Mr. Bustin could recall no water system which operated with no tap fee whatsoever. One would think Foothills has the same need for tap fee revenue as other water services.

The unexpected must also be taken into account. The sewerage problem could be solved and demand for resort housing could develop so as to make further development attractive. While the system currently appears to operate at 80% of capacity with 77 units, the development of a total of 100 units could take the system beyond capacity. Furthermore, one would think a prudent developer would want to operate at something less than 100% capacity so as to assure all residents water. For that reason, some addition to current capacity is foreseeable even though not likely at this time.

For these reasons, a tap fee makes sense. Foothills can take care of the connections through a fixed tap fee. It also needs the money to provide the additional pumps as needed.

While Mr. Rast provided some explanation as to the cost of effecting a disconnect at the street, he provided no estimate of the construction cost of the original connection. One would think it would exceed the \$180 needed to effect the disconnection. Aside from the \$3000 needed to provide an additional pump, there is little evidence on which to base a decision.

In his response to the Staff memorandum, Mr. Rast noted the additional cost of water and the need for further capital expenditures in order to operate the utility profitably. He contends that the tap fees are needed for this purpose. Again, this is not the purpose of the tap fee. Even if the tap fees could be used for this purpose, the money would not likely be available since no new additional units are planned or foreseen at this time. An additional future rate increase would seem the best means of addressing these concerns. Mr. Rast can apply for such an increase. Should the expenses be deemed just and reasonable and the increase provide for a fair return on the investment, it will be granted.

The tap fee for Gatlinburg residents is \$750. Another tap fee in the area (Tennessee Water Company) is set by the Commission at \$468.75. Mr. Rast provided hearsay testimony that the neighboring water service was actually charging more for tap fees, but this testimony cannot be considered in that it is hearsay. It would seem inappropriate to set the tap fee in an amount greater than that paid by Gatlinburg residents. The City of Gatlinburg must take into account overall water treatment and storage as well as distribution. At the same time, Foothills has fewer prospective residents to share expansion costs. For these

reasons, a \$750 tap fee would seem appropriate and compatible with the nearest water service provider. It should be anticipated that Foothills would never deny any resident water service. To deny the fees necessary to facilitate expansion could put Foothills in that situation at some future point in time from a financial standpoint.

For these reasons, a \$750 tap fee should be approved. Mr. Rast said he was agreeable to placing the money from tap fees into a separate account which is specifically designated for capital improvements. A special account and fund should be created. However, the money in the fund should be used only for tap connections and for those capital improvements which have the effect of expanding water system capacity. An additional pump was the only justifiable cost alluded to in the hearing or in the late filed exhibit. The money in the fund should not go for replacing pumps, painting or other uses described in the late filed exhibit.

The Petitioner and the Staff differed when it comes to allowable expenses. Most of the capital improvements proposed by Foothills relate to costs which should be recovered through revenues other than tap fees. However, the Petitioner has only requested a \$300-a-month fee. The Commission cannot grant more than is requested. The Commission can only grant rates which cover the most efficient use of the revenue generated. The Staff test year projections do appear to properly be based upon this standard. If Foothills feels that additional revenues are needed to recover reasonable and prudent expenses, it may file for a rate increase in the future. Despite the fact that other small water companies appear to be earning less, a 6% rate of return is low.

CONCLUSION

Foothills has developed Condo Villas of Gatlinburg. It appears experienced in arranging for construction. The water system has met with the approval of the City of Gatlinburg and the Department of Health and Environment. Water services are critical to the use and enjoyment of the people living in this area. For these reasons, a certificate of public convenience and necessity should be granted.

The next issue then relates to the rates to be charged. The \$35 a month water service fee requested appears reasonable. Likewise, the disconnect and reconnect fee of \$35 appears reasonable as well. The \$180 fee for a disconnection also appears reasonable where permission to disconnect at the dwelling cannot be obtained.

The tap fee provided the only issue in contention. The Petitioner wants a \$1000 tap fee while the Staff contends that none should be awarded. In reality, it is foreseeable that no further taps will be needed in that further development appears stalled at this time as a result of a lack of sewage disposal facilities. It is also likely that the City of Gatlinburg will take over the water system following annexation within the next few years. Still it must be contemplated that further development may take place prior to any purchase of the system by the City of Gatlinburg.

To my knowledge, all water utilities have tap fees. Some provision must be made to finance the actual extension from the main line to the new housing units. The Commission must also anticipate that a public utility will always make available water service to all who request water service in the designated service area. At some point in time, that will require expansion of existing service. While Foothills obtains all water from the City of Gatlinburg, it must provide the pumps necessary to get the water to the

development and maintain adequate pressure. The volume of water consumed justifies the number of pumps necessary to provide the water.

The Staff maintains that no further pumps are needed and the present facilities are adequate to supply anticipated future needs. That does not appear correct given the testimony at the hearing. The water service now serves 77 customers while the development can be expanded to 100 units. The system appears to now operate at 80% capacity. Should the development grow to 100 units it would appear that the development would exceed present capacity. Furthermore, one would anticipate that the utility would want to operate with some excess capacity so as to assure customers water at all peak times.

In many respects, the evidence of record is inadequate to justify the tap fee sought by the Petitioner. We do not know the actual cost of connecting the units to the main water lines. However, the evidence does suggest that the \$750 tap fee charged by the City of Gatlinburg would be adequate for the residents just outside of Gatlinburg as well. This amount should provide for tap connections as well as contribute to the cost of providing additional pumps as water demand justifies.

Tap fee proceeds should be maintained in a separate account and used exclusively for tap fee connections and providing additional pumps for the utility.

Therefore, having considered the testimony, the evidence of record, and the statutory criteria, I find that the application for a certificate of public convenience and necessity to be in the public interest and should be granted. The monthly service fee of \$35 proposed should be approved as well as the disconnection and reconnection charge of \$35 subject to the conditions contained herein. A tap fee of \$750 should be approved.

T.C.A. Section 4-5-315 provides that all parties shall have an opportunity to appeal initial orders to the

Commission. However, the Commission reviews all initial orders, thereby assuring review. All parties may file exceptions or replies to exceptions in the form of a brief setting forth specific issues. The exceptions and any replies thereto will be considered by the Commission in its review. The Commission will determine the matter in a regularly scheduled Commission conference. Affected parties may then seek reconsideration of the Commission's final order or may appeal the final order to the Court of Appeals, Middle Division, within 30 days of the final order.

This Initial Order is prepared in conformity with the Tennessee Uniform Administrative Procedures Act, T.C.A. 4-5-101, et seq. Procedures whereby parties seek review, stay or reconsideration are found in T.C.A. Sections 4-5-315 through 4-5-318. Judicial review of Commission orders is described in T.C.A. 4-5-322.

IT IS THEREFORE ORDERED THAT:

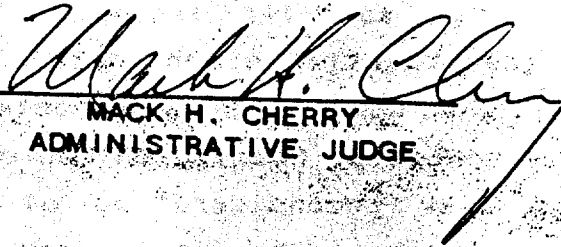
1. A certificate of public convenience and necessary is granted to Foothills Properties, Inc. to operate a water distribution system in Condo Villas of Gatlinburg, Sevier County, Tennessee.

2. The following rates are just and reasonable and are hereby approved and Foothills Properties, Inc. is hereby ordered to file a tariff with the Commission containing rates as follows:

Monthly service charge	\$ 35.00
Disconnect and Reconnect charge	35.00
Disconnect at right-of way without prior approval	180.00
Tap Fee	750.00

3. Tap fee revenue shall be maintained in a separate account and used only to pay the cost of effecting new water

connections and for expansion of the water system as discussed herein.


MACK H. CHERRY
ADMINISTRATIVE JUDGE

STATE OF TENNESSEE

COUNTY OF SEVIER

AGREEMENT

THIS AGREEMENT made and entered into by and between Tony Glenn Rast, President and, exclusive Stockholder of Foothills Properties Inc., a Tennessee Corporation, exclusive Stockholders for Foothills Properties Inc., a Tennessee Corporation, hereinafter called the "Grantors", and, CONDO VILLAS OF GATLINBURG ASSOCIATION INC., a Tennessee corporation, hereinafter called the "Grantee".

WITNESSETH:

The purpose of this agreement is to allow Grantors to convey as a charitable gift the Condo Villas Water System of Gatlinburg, Tennessee to the Condo Villas Homeowners Association Inc. in return for any and all tax benefits the Grantors may receive therefrom.

The Grantors agrees to transfer to Grantee and the Grantee agrees to purchase from the Grantors any and all interest in the Foothills Properties Inc., a Tennessee Corporation. Sale shall include the transfer 100 shares of common stock at par value Ten Dollars (\$10.00) of any any and every kind that that has been issued by Foothills Property Inc.

Grantors hereby acknowledges and agrees to transfer to Grantee any and all easements, rights-of-way, or other similar agreements or instruments which presently or may, in the future, affect the operation and maintenance of assets transferred by this agreement.

Grantors, at their sole expense shall survey the water tank area and transfer by Warranty Deed to the Grantee property on which the water tank is presently situated as well as an access road to said tank. Survey and transfer of same shall be completed no later than February 29, 2000.

Grantors shall transfer ownership along with all rights and claims to the main pump building at the entrance to Phase One along with all other older pump building as well as all other physical assets of the Condo Villas of Gatlinburg Water System located in the Condo Villas of Gatlinburg area.

Grantors understand and agree that Grantee shall assume full and unencumbered ownership of all assets of said corporation including water lines, pumps, water tower and any and all other supplies and equipment which may be associated with or required for the proper and efficient operation of the water system owned by Grantors at the time of transfer to Grantee. Prior to consummation of the transfer the Grantors agree to furnish Grantee with an up-to-date inventory of all physical assets of Foothills Properties Inc., Grantee hereby gives notice to Grantors that it shall not be responsible for any debts or liabilities or any form of legal action which may arise resulting from acts of commission and/or omission taken by the Grantors prior to January 1, 2000.

Grantee agrees to make any necessary application with the State of Tennessee for transfer of the water system and to abide by all rules and regulations of the Tennessee Regulatory Authority, which is the state agency charged with regulating this water system.

Grantee will provide and keep in force at all times liability insurance on the water system. Grantee will release any and all deposits which presently in place by Grantor. Grantee will pay any necessary deposits required by the appropriate agencies.

Grantors or any associated corporations or companies of Tony Glenn Rast and or Debra Rast will retain and Grantee will grant unto the Grantors up to twenty (25) free water taps in the event the Grantor should build any chalets on remaining land owned by Tony Glenn Rast in Condo Villas for a period of five (5) years beginning January 1, 2000 and ending December 31, 2005. Any benefits regarding such taps shall inure to the Grantor only during the aforementioned time period and are non-transferable.

Grantors agree that effective December 1, 1999 any fees for taps to the water system other than that granted above shall belong to the Grantee. Likewise, any expenses incurred as a result of such water tap shall also belong to the Grantee.

Grantor hereby agrees that only accounts receivable specifically listed in attached Exhibit A and due FOOTHILLS PROPERTIES INC. at the time of the transfer herewithin mentioned shall remain assets of the Grantor and any money received by Grantee which is expressly for the period prior to January 1, 2000 shall be refunded to Grantor or the designated agent of same by the Grantee.

Said water system shall be appraised by an independent certified appraiser who is knowledgeable of the value of utility systems and said appraisal amount shall be used for the basis of the transfer of the water system by the Grantor.

It is agreed by Grantor and Grantee that this transaction shall be consummated no later than December 31, 1999.

Witness our hands and seals this 18th day of Dec, 1999.

Signed by authorization and at the direction of the Board of Directors of the Condo Villas of Gatlinburg Association Inc.

CONDO VILLAS OF
GATLINBURG ASSOCIATION INC.

GRANTEE:

WITNESSES:

Wayne Campbell
Donna Allen

By:

Brent Morrison
BRENT MORRISON
ITS' PRESIDENT

WITNESSES:

Wayne Campbell
Donna Allen
By:

Earl Baird
EARL BAIRD
ASSOCIATION MANAGER

GRANTORS:

WITNESSES:

Wayne Campbell
Donna Allen

FOOTHILLS PROPERTIES INC.
TONY GLENN RAST
By: Tony Glenn Rast
TONY GLENN RAST

Exhibit "A"
Item 2

TENNESSEE PUBLIC SERVICE COMMISSION

460 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243-0505

STEVE HEWLETT, CHAIRMAN
FRANK COCHRAN, COMMISSIONER
KEITH BISSELL, COMMISSIONER

PAUL ALLEN, EXECUTIVE DIRECTOR
HENRY M. WALKER, GENERAL COUNSEL



AMENDED
NOTICE OF HEARING

DOCKET: 90-02584

PETITIONER: Foothills Properties, Inc.

PETITIONER'S ATTORNEY:

IN RE PETITION OF FOOTHILLS PROPERTIES, INC. FOR A CERTIFICATE OF
CONVENIENCE AND NECESSITY TO OPERATE A WATER DISTRIBUTION
SYSTEM IN CONDO VILLAS OF GATLINBURG, SEVIER COUNTY,
TENNESSEE.

DATE: October 3, 1991

Pursuant to the request of the applicant, the Commission has
re-scheduled the hearing in the above captioned proceeding for
Thursday, November 14, 1991, at 9:30 am, in the Commission Hearing
Room, 460 James Robertson Parkway, Nashville, Tennessee. The hearing
was previously scheduled for 1:00 pm on that date.

The hearing will be conducted in accordance with the Tennessee
Uniform Administrative Procedures Act, T.C.A. 4-5-201 et seq. All
parties are entitled to be represented by counsel.

Any motion to change the date of this hearing or procedural schedule
must be made in writing, filed with the office of the Executive
Director of the Commission, and directed either to the presiding
Administrative Judge or the Chairman of the Commission. Copies of the
motion must be served on all parties.

FOR THE TENNESSEE PUBLIC SERVICE COMMISSION:

Paul Allen, Executive Director

cc: Interested Parties

PAdb

VERIFICATION

Comes now, Brent Morrison and says that he is the President of Condo Villas of Gatlinburg Association, Inc, that he has read the foregoing Joint Petition for approval of Condo Villas of Gatlinburg, Inc. to acquire assets of Foothills Properties Inc. and knows that the same is true to his best knowledge and belief.

A handwritten signature in black ink, appearing to read "Brent Morrison", followed by a horizontal line.

Brent Morrison
President
Condo Villas of Gatlinburg Association Inc.

Notary Public
My Commission Expires: _____